468 while striving for the same goal, i.e., increased production. Accordingly, labor disputes are not to be allowed to develop into strikes, acts of sabotage, or lockouts which would interrupt production. All disputes are to be resolved in accordance with the interests of both labor and capital (or management, in the case of publicly owned enterprises).

The first step toward settling labor disputes is consultation between the trade union (representing the workers) and the owner (in the case of privately owned enterprises),or between the trade union and management (in the case of publicly owned enterprises). If the consultation fails, the disputes may be brought to the labor bureau for mediation and arbitration. Labor bureaus have been established at all levels of the Communist government.

Shanghai suffered more than most cities as the result of inflation during the last days of the Kuomintang regime. The Communists assumed control of a bankrupt economy and a worthless currency. Factories which had closed down during the seige or immediately after the occupation were forced back into production by the Communists. But because of the lack of raw material and continued inflation, the economic situation was at its worst in the second half of 1949 and early 1950. During this period, 9,027 cases of labor disputes were submitted to the labor bureau of the Shanghai Municipal Government for mediation.[12]

12. Compendium of Gov't Reports, Peking, 1950, p. 591.

468 The factory administration committee was the agency for settling labor disputes in publicly owned enterprises; the labor-capital consultative council settled disputes in privately owned enterprises. Most of the labor disputes which occurred in private business were concerned with wages and the discharge of workers. Accordingly to a report made by Ma Ch'un-ku, director of the labor bureau of the Shanghai municipal government, 503 labor capital consultative councils were established during the first half of 1950 in the factories in Shanghai.[13] Capital and labor were equally represented on the council. Besides settling labor disputes, the consultative councils also sought to improve labor discipline and to raise the rate of production. In publicly owned enterprises in Shanghai, factory administration committees had been established to tackle labor disputes. In one report,[14] however, the Communists admitted that the leadership of the trade union in Shanghai made a mistake in the organization of the labor-capital consultative councils and factory administration committees. They treated the councils and the committees as an opportunity for charges and countercharges, complaints and theorizing.

In Tsingtao, there were reports about disputes in cotton mills in the second half of

13. Liberation Daily, Shanghai, Oct. 16, 1950, p. 2.

14. Chinese Workers' Monthly, July 15, 1950, p. 51.

468 1950 and early 1951. These cases were handled by the trade unions in an attempt to satisfy both labor and capital.

IV. DEMOCRATIC REFORM AND POLITICAL INDOCTRINATION

467 668 In the course of labor organization, the Chinese Communists discovered that many "reactionary and feudalistic elements" still existed in the labor organization, and that the trade union leaders practiced "bureaucratism" and "commandism." Labor bosses in factories were given the title "Number One" in Shanghai and "pa-t'ou" in Tsingtao.[15] The Communists urged the masses to aid in the elimination of reactionary elements, bossism, and remnants of feudalism. To this end, they initiated "democratic reform" in Central-South China in May 1951, and later extended it to other regions. In East China, reform was accelerated in September 1951.

To initiate a "democratic reform" movement in a factory or a mine or among a group of workers, the union cadres called "criticism" and "self-criticism" meetings at which everyone present was urged to make complaints and accusations. The purpose was "to weld together by ties of sympathy and understanding all who work together." After the movement had been established, changes were made in factory regulations and working

15. Gang-labor chiefs had unlimited authority to exploit the workers.

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was able to obtain through the Division's mediation in August 1942, a collective agreement embodying a minimum monthly pay of CRB$200 whether employees worked or not during slack months when otherwise they would not be able to earn this amount. Unions, too, were active in claiming on behalf of their members adequate discharge allowances. 467 668

It can thus be seen that labour was by no means inarticulate, nor did it necessarily await the stimulation of political groups to lend it cohesion and the power to act in concert. When impelled by a sense of economic needs, workers formulated demands which they pressed upon employers. Leaders emerged to conduct negotiations, often with considerable astuteness, and though in many cases they were almost illiterate, they were often keenly intelligent.

How was the Division apprised of imminent industrial unrest? Without compulsory powers to require the submission of a dispute to mediation, it nevertheless arrived at the place where few serious disputes occurred which were not brought to it for settlement. There was a gradual building up of confidence in its fair handling of matters in dispute and one group of satisfied workers passed word to another that application to the Division for mediation would have useful results. Disputes could of course be referred by either party; but as a matter of technique the Division mediated most successfully when workers, not management, presented the request. The reason is obvious: workers may distrust a mediator whose help has been sought by an employer. The Division sometimes waited days after a case was referred by management, in the meanwhile trying through other workers whose confidence had been won, to have the workers involved in the dispute request mediation. 468 633

An obvious principle for the Division in mediation was not to break the strength of the workers. If their bargaining power were weakened, the process became not one of mediation between parties of equal strength, but a dictation of its views on the part of a stronger management. This view of the Division did not always correspond with that held by the Municipal police, who also were associated with the settlement of some disputes, usually those where violence or threat of violence had occurred. The police, whose function was primarily to preserve peace and order, 468 633 625

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[625] 468 633 tended towards the simple formula of taking the line of least resistance by requiring that workers return to work before mediation was undertaken. But workers who, having struck, went back to work, were workers weakened in their struggle. It must not be thought from this that there was any truckling to workers. The mediation officers did not hesitate to state when, in their view, the demands of labour were unreasonable. Equally the viewpoint of management was taken into account. Where it was reasonable it was supported; where it was thought there should be concessions the management was frankly told so. No pressure, however, was brought either to induce workers to resume before they were satisfied that they had obtained the best possible adjustment of their claims, or to induce management to make a settlement which it would regret.

The work of the Industrial Relations Section of the Division became partly mediating, and, as time went on, increasingly consultative. Both workers and management frequently sought advice on their situations before an open break occurred, and a final breach was more frequently avoided than not. But workers were not restrained by the Division from striking, if without the exercise of this instrument they could not obtain a just hearing for their demands. Nor was management, if workers proved unreasonable, over-persuaded not to use the weapon of lockout.

468 625 579 VIOLENCE SOMETIMES accompanied labour disputes. When workers refused to leave the plant, "sat down," or even locked up the management, then the police had to be called in. Every effort was made to avoid clashes with workers, but there were occasions when the police officer in charge believed it necessary to clear the plant. Workers then might seize any handy missile, from iron bars to bricks or garbage, with which they attempted to resist the police. In one strike early in 1941 the management permitted the men to enter the plant each morning for three days and to leave it each evening, without having done any work, in an effort to avoid the necessity for calling in the police. Meantime negotiations were attempted. When on the morning of the fourth day workers tried to enter the compound armed with iron rods, they were prevented from doing so, and the police were informed. In an ensuing melée many workers and policemen were injured, some workers fatally.

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On the whole, however, workers exhibited a capacity to think logically about their problems, and a willingness to negotiate rather than to resort to violence. Indeed, violence was rare, while orderly negotiation was very common. 468

Resort to strike-breaking by management was infrequent, but not unknown. In two disputes in 1940 Jewish refugees newly arrived from Europe were called in. However, their lack of the specific skills involved as compared with that of the Chinese workers, and the higher remuneration which they demanded made their employment beyond the emergency period uneconomic for management. In a few instances as in some public utility enterprises, Russian workers were employed on a permanent basis in order to have labour available in the event of a dispute with Chinese workers which would result in the paralysis of an important industry. One German-owned bakery in 1942 asked the Division if it could supply bakers to replace those intending to strike, on the ground that the public interest in the supply of bread was at stake. The management was informed that the Division did not break but mediated strikes, and through mediation the Division averted the threatened stoppage of work to the satisfaction of all concerned. It can be seen that certain employers entertained primitive ideas of employment relations and of the function of authority in the settlement of disputes.

There was little uniformity in the attitude of employers toward the activities of labour. Some western foreign-owned enterprises permitted actual union organisation, and entered into negotiations with duly elected representatives. Others allowed no formal organisation, though they tacitly admitted the right of their employees to collective action by negotiating with them, either with or without an independent mediator. Yet others again permitted no group activity, and many instances were known where workers who led their fellows were dismissed from their employment. Until workers may express themselves without fear of loss of employment, full freedom of workers to act collectively cannot be said to exist. Dismissal for those associated with group activities occurred in plants of Chinese ownership, although the Chinese Government's labour Union Law gives protection to those who organise.[2] This law was 468 467 471

[2] Article 31 states: "An employer or his representative shall not refuse to employ workers or dismiss workers or accord other unfavourable treatment to them because

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468 not applicable to owners of factories with extra-territorial privileges,
467 to American, British, or Japanese owners.
471 The attitude of the Shanghai Municipal Council toward labour organisation was not specifically formulated. While a procedure of
467 registration of organisations with the Special Branch of the
633 Municipal Police as a means of crime prevention was instituted as an emergency measure after the 1937 hostilities, the registration of workers' groups was not encouraged.[3]

468 As stated elsewhere, industry in the past did not pay adequate
633 wages, many workers being employed at remuneration insufficient to meet the needs of a family.[4] There was no effective legal instrument for enforcement of minimum wage standards, but mediation procedure frequently was useful in achieving earnings adjustments. When a dispute occurred a first step was to request from the management the wage sheet of the preceding month, together, if possible, with the wage sheet of the corresponding month in 1936. It was then possible to find the actual earnings indices, and to compute real wage indices, so that the spending power of earnings became apparent. These earnings were further compared with the minimum subsistence costs regularly published monthly by the Division. By these two procedures the parties became aware of the actual wage situation, and efforts were exerted to have adjustments made so as to meet as nearly as possible the published figures.

468 An important instrument to further betterment of conditions
633 was the signing of a collective agreement to which factory manage-
675 ments, workers' representatives, and the Division, were parties. A written agreement is better than verbal promises. Moreover, being an agreement to which the parties had voluntarily agreed, it had the moral force of a contract.

The agreements covered a wide range of conditions of employment including wage increases, allowances of various kinds, provision of annual bonus and profit sharing, provision of hospital

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467 of their affiliation with the labour union . . . shall not make it a condition of employment that the worker shall not take charge of any business of the union or that he shall not enter a union or that he shall withdraw from the union." Translation by Koo Ping Yuen, *Chinese Labor Laws*, second edition, Commercial Press, Shanghai, 1935.

[3] See Chapter II.

[4] See Chapter III.

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and medical attention and payment of wages to those injured in the course of duty, limitation of hours of work, provision of direct employment by the management and elimination of employment through contractors. Two clauses frequently inserted gave a continuing influence: provision for mediation by the Division in the event of dispute, undertaking of workers not to declare a strike and of the management not to declare a lockout until mediation had been attempted; and provision that a report be first submitted to the Division in the event of necessity for suspension of work and dismissal of workers due to lack of raw materials, trade depression, or other causes.

The aim of the Division was not merely the settlement of an individual dispute, but to use the contact established between workers and management at the time of mediation to permit the exerting of a continuing influence on the employer-employee relations in the firm or trade involved. Most larger enterprises had factory rules to govern these relations. In as many cases as possible, parties to a dispute were asked to submit the existing rules to the Division. Many changes were subsequently agreed upon which contributed to better conditions of work and sounder employment relations. In the absence of a universally applicable law to control conditions of work, wages, hours of work and other matters in employment relations, such piecemeal handling, factory by factory, trade by trade, proved a useful procedure.

IT CAN BE SAID that, though there was no official encouragement of labour organisation on the part of the Shanghai Municipal Council, and indeed though police discouraged organisation through disallowing registration, there was nevertheless a recognition that workers' group action could not be opposed. The mediation services were undertaken without specific instruction and without specific powers to require that any dispute be submitted to mediation, yet they were in fact a tacit admission on the part of the authorities of the right of group action. In the future when the Settlement comes under the control of the Chinese Government, it is to be presumed that its Labour Union Law will prevail. Under this the right of group action is specifically recognised, though it is hoped that administrative controls over organisation as

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given in the earlier part of this chapter may not mean some lack of freedom of action on the part of unions.

One important result of the years of mediation in Shanghai is the education which many workers underwent in the process. Though there was little formal organisation or union activity, groups of representatives of workers in individual plants learned what group action meant during negotiations. It is not too much to hope that some of those workers who represented their fellows in negotiations, whose right to be heard was so patiently upheld—sometimes through interminable arguments—had an experience which may make of them the labour leaders of the future. This, at any rate, was a conscious aim of those mediating. In the conviction of individual workers that group organisation would serve the interests of the general body of workers lies the germ understanding of what a labour movement means. Perhaps a useful contribution has been made.